

Message Text

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ACTION EUR-12

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CEA-01 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 SP-02 STR-07 LAB-04 SIL-01 OMB-01 AF-10
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R 281755Z APR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 6321
INFO ALL EC CAPITALS
AMEMBASSY NEW DELHI

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SUBJECT: EC DEVELOPMENT COUNCIL, APRIL 25, 1978

REF: (A) 77 BRUSSELS 17488 (NOTAL), (B) BRUSSELS 7845
(C) BRUSSELS 3153 (NOTAL)

1. SUMMARY: THE APRIL 25 SESSION OF THE EC DEVELOPMENT COUNCIL FOCUSED MAINLY ON AID TO NON-ASSOCIATED DEVELOPING STATES. THE MINISTERS WERE ABLE TO REACH AGREEMENT ON THE TEXT OF A COUNCIL REGULATION ESTABLISHING A FRAMEWORK FOR THE IMPLEMENTATION OF FINANCIAL AND TECHNICAL AID TO THE NON-ASSOCIATES; THE MINISTERS ALSO ENDORSED GUIDELINES FOR DIVIDING THE AID FUNDS AVAILABLE FOR THESE COUNTRIES UNDER THE EC'S 1978 AID PROGRAM. IN SEPARATE ACTIONS, THE COUNCIL APPROVED 1978 NON-FAT DRY MILK AND BUTTEROIL FOOD AID PROGRAMS AND AGREED IN PRINCIPLE TO AN EC CONTRIBUTION TO THE FLOOD II DEVELOPMENT PROJECT IN INDIA. THE FORMAL COUNCIL AGENDA ALSO INCLUDED GENERAL DISCUSSION
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OF COORDINATION AND HARMONIZATION OF COMMUNITY AND MEMBER STATE DEVELOPMENT COOPERATION POLICIES. MINISTERS HELD AN INFORMAL DISCUSSION, AS WELL, OF COMMUNITY DEVELOPMENT AID IN THE CONTEXT OF LOME II. END SUMMARY.

2. AID TO NON-ASSOCIATED DEVELOPING STATES:

FOLLOWING UP ON ITS AGREEMENT IN PRINCIPLE AT ITS NOVEMBER 1977 SESSION (REF A), THE COUNCIL AGREED ON THE TEXT OF A REGULATION DEFINING CRITERIA, OBJECTIVES, AND ADMINISTRATIVE ARRANGEMENTS FOR FINANCIAL AND TECHNICAL ASSISTANCE TO NON-ASSOCIATED DEVELOPING STATES. FORMAL APPROVAL OF THE REGULATION MUST STILL AWAIT CONCLUSION OF CONCILIATION PROCEDURES WITH THE EUROPEAN PARLIAMENT. AS NOTED REF(A), THE FRENCH HAD LONG OPPOSED SUCH A REGULATION, LARGELY (ACCORDING TO OUR SOURCES) BECAUSE SUCH AID IS NORMALLY CONCENTRATED ON LATIN AMERICA AND SOUTHEAST ASIA, WHERE FRANCE HAS FEW INTERESTS, AND BECAUSE OF GENERAL RELUCTANCE TO SEE COMMUNITY COMPETENCE IN THIS FIELD EXPANDED. ACCORDING TO EC COUNCIL AND PERMREP OFFICIALS, THE FRENCH CONTINUED, DURING THIS COUNCIL MEETING, TO INTERPOSE TECHNICAL OBJECTIONS TO THE PROPOSED REGULATION; THE EVENTUAL DECISION IN FAVOR OF THE REGULATION IS THEREFORE WIDELY VIEWED AS A SIGNIFICANT STEP FORWARD IN EC DEVELOPMENT AID POLICY. IN GENERAL TERMS, THE REGULATION, AS AGREED BY THE MINISTERS, WOULD ESTABLISH GUIDELINES FOR MAKING AID AVAILABLE TO THE POOREST NON-ASSOCIATED DEVELOPING STATES, BUT WITH THE OBJECTIVE OF SEEKING A REASONABLE GEOGRAPHICAL BALANCE AMONG THE WORLD'S MAJOR DEVELOPING REGIONS. SUCH AID WOULD BE PRIMARILY INTENDED TO IMPROVE LIVING CONDITIONS FOR THE MOST NEEDY SECTIONS OF SOCIETY, WITH EMPHASIS ON RURAL DEVELOPMENT AND THE IMPROVEMENT OF FOOD PRODUCTION. THE REGULATION WOULD PROVIDE FOR EC LIMITED OFFICIAL USE

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PARTICIPATION IN REGIONAL PROJECTS AND FOR A COMMUNITY RESERVE TO COVER DISASTERS. THE REGULATION WOULD ALSO PROVIDE FOR A MANAGEMENT COMMITTEE FOR EXTENDING AID TO NON-ASSOCIATES ON A MULTI-ANNUAL BASIS, RATHER THAN ON THE CURRENT AD HOC, YEAR-TO-YEAR BASIS.

3. ON THE BASIS OF COMMISSION PROPOSALS, THE COUNCIL ALSO ENDORSED GENERAL GUIDELINES FOR THE IMPLEMENTATION OF THE 1978 AID PROGRAM FOR NON-ASSOCIATES. 70 MILLION EUROPEAN UNITS OF ACCOUNT (MEUA - ONE EUA CURRENTLY EQUALS \$1.23) HAVE BEEN INCLUDED IN THE 1978 COMMUNITY BUDGET. OF THIS SUM, 5 MEUA WILL BE HELD AS A RESERVE AND 1 MEUA FOR ADMINISTRATIVE EXPENDITURES; THE REMAINING 64 MEUA ARE TO BE ALLOCATED ON THE FOLLOWING BASIS: 47.5 MEUA FOR ASIA, 13.5 MEUA FOR LATIN AMERICA, AND 3 MEUA FOR AFRICA, PRINCIPALLY MOZAMBIQUE BUT POSSIBLY ANGOLA AS WELL (AS NOTED REF A, AFRICA WAS ADDED LAST YEAR AT FRENCH INSISTENCE). ON THE BASIS OF THESE GUIDELINES, THE COMMISSION WILL BE ABLE TO BEGIN EXAMINATION OF SPECIFIC PROJECTS TO BE FINANCED.

4. ACCORDING TO A UK PERMREP OFFICIAL, THE COUNCIL WAS ALSO ASKED TO CONSIDER A DUTCH/BRITISH PROPOSAL FOR A MAJOR INCREASE (PERHAPS "DOUBLING OR TRIPLING") IN AID

TO THE NON-ASSOCIATES IN FUTURE YEARS. SOURCE SAID THE OTHER MEMBER STATES AGREED ONLY TO "TAKE NOTE" OF THIS PROPOSAL, AND THE COUNCIL DECIDED TO DEFER FURTHER DEBATE UNTIL ITS OCTOBER SESSION.

5. FOOD AID TO INDIA:

THE COUNCIL AGREED IN PRINCIPLE TO A COMMUNITY CONTRIBUTION TO THE INDIAN FLOOD II DEVELOPMENT PROJECT, CONSISTING OF 31,000 METRIC TONS (MT) OF NON-FAT DRY MILK (NFD) AND 12,700 MT OF BUTTEROIL. THE COMMUNITY HAD ALREADY AGREED ON THE SUPPLY OF 6,000 MT OF NFD AND 3,500 MT OF BUTTEROIL AS AN INITIAL EC CONTRIBUTION TO THE OPERA-

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TION (REF B). FORMAL ADOPTION OF THE REGULATIONS NECESSARY FOR THE SUPPLY OF THE ADDITIONAL 25,000 MT OF NFD AND 9,200 MT OF BUTTEROIL IS EXPECTED AS SOON AS THE WORLD BANK HAS TAKEN A FORMAL DECISION ON THE OVERALL OPERATION. THE COUNCIL AGREED THAT IT WOULD GIVE FAVORABLE CONSIDERATION TO ANNUAL RENEWAL OF THE EC CONTRIBUTION THROUGHOUT THE DURATION OF THE FLOOD II, DEPENDING ON FUTURE EC FOOD AID RESOURCES, BUT IT ALSO INDICATED THAT EC PARTICIPATION BEYOND THREE YEARS MIGHT DEPEND UPON CONTINUED PARTICIPATION BY THE WORLD BANK IN THE SECOND PHASE OF THE OPERATION.

6. 1978 FOOD AID PROGRAMS:

PURSUANT TO ITS DECISION OF LAST NOVEMBER (REF A), THE

COUNCIL APPROVED COUNTRY ALLOCATIONS FOR THE EC'S 1978 NFDM AND BUTTEROIL FOOD AID PROGRAMS. TOTAL VOLUME OF NFDM AID WILL BE 150,000 MT (INCLUDING 31,000 MT FOR INDIA--SEE ABOVE), AND TOTAL VOLUME OF BUTTEROIL AID WILL BE 45,000 MT (INCLUDING 12,700 MT FOR INDIA). SPECIFIC COUNTRY FIGURES WILL BE SENT SEPTEL. THE COUNCIL LIMITED OFFICIAL USE

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ALSO DECIDED TO ALLOCATE 9,600 MT OF NFDM TO VIETNAM AND 3,000 MT OF NFDM TO SRI LANKA FROM THE 1977 NFDM RESERVE OF 12,600 MT, AND IT DECIDED TO ALLOCATE THE 1,960 MT 1977 BUTTEROIL RESERVE TO EGYPT.

7. COORDINATION OF DEVELOPMENT AID POLICIES:

THE MINISTERS HELD A FORMAL DISCUSSION ON COORDINATION AND HARMONIZATION OF COMMUNITY AND MEMBER STATE DEVELOPMENT COOPERATION POLICIES, CONCENTRATING ON THE VOLUME AND GEOGRAPHICAL PATTERN OF OFFICIAL DEVELOPMENT AID. PERMREP SOURCES TELL US THAT DEBATE ON THIS POINT WAS UNSTRUCTURED AND LARGELY INCONCLUSIVE. A UK PERMREP OFFICIAL SAID THE DISCUSSION DID, NEVERTHELESS, ACCENT THE GENERAL NOTION THAT THE COMMUNITY SHOULD TRY TO PROMOTE GREATER COHERENCE BETWEEN ITS INTERNAL ECONOMIC ADJUSTMENT POLICIES (E.G., INDUSTRIAL POLICY) AND ITS EXTERNAL DEVELOPMENT POLICIES. OUR SOURCES ALSO SAY THAT AS REGARDS INCREASING THE VOLUME OF ODA (OFFICIAL DEVELOPMENT ASSISTANCE), THE MINISTERS MADE ESSENTIALLY HORTATORY STATEMENTS CONCERNING THE NEED FOR MEMBER STATES' BEST EFFORTS TO REACH THE 0.7 PERCENT OF GNP ODA TARGET.

8. DISCUSSION ON LOME II:

THE MINISTERS HELD A TWO-HOUR RESTRICTED MEETING DEVOTED TO AN INFORMAL EXCHANGE OF VIEWS ON EC DEVELOPMENT AID IN THE CONTEXT OF LOME II. COUNCIL AND PERMREP SOURCES TELL US THE DEBATE DID NOT PRODUCE MUCH IN THE WAY OF NEW MEMBER STATE REACTION TO THE COMMISSION MEMORANDUM ON LOME II NEGOTIATIONS (REF C). DEBATE WAS REPORTEDLY SUPERFICIAL, WITH MEMBER STATES VOICING ALREADY ESTABLISHED POSITIONS ON THE NEGOTIATIONS, INCLUDING HUMAN LIMITED OFFICIAL USE

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RIGHTS ASPECTS, AND MOST MEMBER STATES INDICATING THAT THEY AGREED BROADLY WITH THE COMMISSION'S RECOMMENDATIONS. THE FRENCH, WE ARE TOLD, DID NOT CONTRIBUTE TO THE DIS-

CUSSIONS, EMPHASIZING THEIR VIEW THAT LOME II IS THE
PROVINCE OF THE EC FOREIGN MINISTERS. HINTON

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